Inheritances in the Long Run

Stefan Humer
Economics of Inequality, WU Vienna

Paper Abstract: This paper introduces an novel algorithm, which allows to form expectations about future wealth transmissions and the associated tax revenues by combining recent micro-data on the wealth of private households with demographic projections on age-, gender- and education-specific mortality rates. The structure of the distribution of wealth among private households in Austria and demographic changes indicate a strong increase of aggregate capital transfers over the coming decades. Both the number of transfers and their average amount will increase substantially. On the basis of the performed projections, the sum of transferred assets increases from €8 billion in 2010 up to €20 billion by 2035. My simulations show that the combination of a comparatively high inheritance tax exemption threshold with significant marginal rates would have pronounced progressive effects. While the majority of the population would not suffer from the tax, total revenue inflow would be substantial.